

March 24, 2023

Ms. Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: Prohibition Against Conflicts of Interest in Certain Securitizations (File Number – S7-01-23)

Dear SEC / Other market participants,

Thank you for providing the opportunity to review this rule proposal & considering public opinion.

I would like to clearly state that I strongly support the rule proposal '*Prohibition Against Conflicts of Interest in Certain Securitizations*' (S7-01-23), with the caveat that the exceptions are removed or at least heavily limited. These exceptions currently undermine the purpose of the rule & allows for enormous loopholes to continue conflicted transactions.

I have structured my comment into the following format:

- Why do I support this proposal?
- What are some counterarguments to this proposal?
- What changes or improvements can be made to this proposal?
- Final thoughts

Why do I support this proposal?

To my understanding this rule will prohibit conflicted transactions such as short sales & credit default swaps by securitisation participants against the asset-based securities (ABS) created/promoted by these participants.

I strongly support this rule proposal and applaud the SEC's attempt at formally enacting a rule to limit conflicted transactions in asset-based securities (ABS). I believe this is a core fundamental rule that should be in place immediately, if not already enacted to prevent misrepresentation of ABS to the detriment of investors & the global financial market as a whole. This is especially given precedent in the context of the 2008 financial crisis in which ABS played a crucial role in the collapse & devaluation of large financial institutions. I believe this rule clearly fulfills the SEC's mandate to protect investors and maintain fair & efficient markets.

I strongly agree with the SEC's coverage of prohibited transactions to include short sales, credit default swaps, credit derivatives or any other financial instrument related to the ABS that benefits the securitisation participant from poor performance or market decline. I believe prohibition of these conflicted transactions are all essential in ensuring incentives between securitisation participants & ABS investors remain aligned. I commend the SEC for the inclusion of any financial instrument which pays out for poor performance/market decline and believe this should be maintained in the final rule to prevent future deviations from this rule. I also strongly agree with the SEC's definition of asset-based security to include synthetic ABS which have previously played devastating roles in the financial market crash. In regards to an addition of a catch all definition for

ABS, I do believe adding this will only strengthen the proposed rule & assist in preventing future variations of ABS related misrepresentation. Lastly, I believe it is pertinent to maintain the coverage of any securitisation participant (i.e. underwriter, placement agent, initial purchaser, sponsor of ABS & any affiliate or subsidiary of those listed) in the rule to ensure the spirit of the rule is followed & avoid undue exemption.

My only reluctance to this rule proposal is that there are multiple exceptions to this rule that are excessively broad allowing for continued misuse of ABS transactions. In my opinion these exceptions should be removed completely as the exceptions include most of the securitisation participants that the rule aims to regulate. These exemptions defeat the purpose of the rule of preventing conflicted transactions for those most incentivised to misuse ABS transactions. If these exemptions cannot be removed, I would suggest the SEC further narrows the definitions of these listed exemptions.

What are some counterarguments to this proposal?

Not enough time has been provided by the commission to allow for sufficient discourse on this rule proposal?

- I disagree with this statement. As stated by the commission this rule proposal was initially published in September 2011 (11.5 years ago)! This is an insane amount of time for any organisation, no matter how complex to assess conflicts of interest & consider alterations. This rule proposal has been given sufficient time even if not directly in this form.
- I would also argue that such a fundamentally basic rule should not even require such specific rule proposals to be deemed illegal/malpractice. With the context of the 2008 financial crisis in which asset-based securities (ABS) were fundamental in the related collapse, how is a rule like this not in place already? How can participants gladly propose that there have been no issues with ABS in the past & that conflicts of interest are necessary? I applaud SEC's attempt in documenting these rules in the federal register, it is a sad state of affairs that this needs to be so clearly written to even be implemented.
- Additionally in the principle of other rules such as best execution as per FINRA & MRSB, would market participants on behalf of ABS investors not already be executing in the best interest of their clients & not the securitisation participants? If so, why would limiting conflicts of interest be so disruptive to the industry? This rule should be in place in practice currently anyway so implementing this rule should not require significant time or effort by market participants to warrant further extension of this rule. This rule also only prohibits these participants for the first year after which they are able to continue current market activities.
- Please look to implement this rule immediately, these rules are fundamental in protecting investors and maintaining fair, equitable markets.

What changes or improvements can be made to this proposal?

Consider removing all exceptions or at minimum heavily limiting the exempted participants

- I believe in principle risk mitigating hedging activity, liquidity commitments & compliant market making play important roles in ensuring there is a stable & efficient market. However, I believe more fundamental to these activities is that investors have confidence that the products provided by securitization participants are accurate & created in good faith. A perfect example of the destructive nature of this is the 2008 financial crisis in which misrepresented ABS caused the devaluation & near total collapse of global banks & pension funds. The stability provided by fair & accurate assessment of these products far outweigh the relatively minimal stability provided by market making, hedging & liquidity provision. How can participants accurately mitigate risk i.e. via hedging if there is no guarantee that the underlying asset has been accurately or fairly been created? What is the purpose of market

making or providing liquidity when the asset cannot be relied upon due to the misrepresentation or lack of provision of pertinent information by the creators of said asset? These participants should not be exempt from conflicted transactions. This is an essential rule to ensure sufficient investor confidence, protect investors & maintain fair & efficient markets.

Consider removing exceptions for the materiality aspect of conflicted transactions

- As per the rule proposal, conflicted transactions would also include relations to materiality as defined as substantial likelihood that a reasonable investor would consider the transaction important in their decision to retain the ABS. I believe conflicted transactions in this context are not related to hedging, liquidity provision or market making and as such conflicted transactions related to materiality should be prohibited for these entities/activities as well.

If exemptions are included. ABS investors should be notified that conflicted transactions are occurring by these exempted parties – i.e. list currently exempted parties on SEC website for each ABS

- I believe provisioning visibility of exempted parties to investors will allow both exempted parties to maintain hedging / liquidity / market making roles whilst also providing investors with material information on whether these products were made in good faith. This will also incentivise investors to be selective in the ABS choice increasing transparency, competition & efficiency whilst also disincentivising misuse/misrepresentation by the exempted parties.

Final thoughts

As a conclusion to this letter, I would like to clearly state that I strongly support the SEC's rule proposal on '*Prohibition Against Conflicts of Interest in Certain Securitizations*' (S7-01-23), with the caveat that the exceptions are removed or at least heavily limited. I believe this is a fundamental rule that should be implemented immediately & is essential in protecting investors and providing confidence & clarity to the markets.

I truly appreciate the time, effort & diligence spent on this proposal and the opportunity to provide my opinion on this proposal. I hope you take my full comments into consideration & consider some of the suggestions I have proposed.

Thank you for looking out for retail / individual investors & considering our opinions.

Kind regards,

Aswin Joy
Retail / Individual Investor